

**Senate Bill No. 35**

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Passed the Senate September 7, 2005

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*Secretary of the Senate*

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Passed the Assembly August 31, 2005

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2005, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Section 130150 of, and to add Section 130151 to, the Health and Safety Code, relating to child development.

## LEGISLATIVE COUNSEL'S DIGEST

SB 35, Florez. California Children and Families Program.

(1) The California Children and Families Act of 1998, an initiative measure, requires that the California Children and Families Program, established by the act, be funded by surtaxes imposed on the sale and distribution of cigarettes and tobacco products and deposited into the California Children and Families Trust Fund, and that the fund be used for the implementation of comprehensive early childhood development and smoking prevention programs. Existing law establishes a state commission, First 5 California, with powers and duties relating to the administration of the act on a state level, and authorizes a county's board of supervisors to establish a county children and families commission to administer the act on a county level.

Existing law requires county commissions, for each fiscal year, to receive the portion of the total moneys available to all county commissions equal to the percentage of the number of births recorded in the relevant county (for the most recent reporting period) in proportion to the number of births recorded in all of the counties participating in the California Children and Families Program (for the same period), if certain requirements are met.

Existing law requires each county commission, on or before October 15 of each year, to conduct an audit of, and issue a written report on the implementation and performance of, its functions during the preceding fiscal year, and requires the state commission to prepare a written report that consolidates, summarizes, analyzes, and comments on the annual audits and reports submitted by all of the county commissions.

This bill would require each county commission, on or before November 1 of each year, to submit its audit and report to the state commission. It would require the report to be in a format prescribed by the state commission, if the state commission approves that format in a public meeting prior to the fiscal year

in which it is to be utilized. The bill would require that the state commission's report include a listing, by category, of the aggregate expenditures on program areas funded by the state and county commissions. It would also authorize the state commission to withhold funds that would otherwise be allocated to the county commission from the California Children and Families Trust Fund in the event a county commission does not submit required information for the written report.

This bill, in addition, would require the Controller to issue guidelines for expanded annual audits of each county commission and associated quality control functions, subject to funding by the state commission, and to present the final audit guidelines and implementation plan to the state commission in a public meeting on or before April 30, 2006.

This bill would only become operative if AB 109 of the 2005-06 Regular Session is enacted and becomes operative.

(2) The California Constitution provides that the Legislature may amend an initiative statute by another statute that becomes effective only when approved by the voters unless the initiative statute permits amendment without voter approval. The act provides that it may be amended only by a vote of  $\frac{2}{3}$  of the membership of both houses of the Legislature and that all amendments pursuant to this provision shall be to further the act and must be consistent with its purposes.

This bill, in conformance with those requirements, would declare that its provisions further the act and are consistent with its purposes.

*The people of the State of California do enact as follows:*

SECTION 1. Section 130150 of the Health and Safety Code is amended to read:

130150. (a) On or before October 15 of each year, each county commission shall conduct an audit of, and issue a written report on the implementation and performance of, its functions during the preceding fiscal year, including, at a minimum, the manner in which funds were expended, the progress toward, and the achievement of, program goals and objectives, and information on programs funded and populations served for all funded programs.

On or before November 1 of each year, each county commission shall submit its audit and report to the state commission for inclusion in the state commission's consolidated report required in subdivision (b). Each commission shall submit its report in a format prescribed by the state commission if the state commission approves that format in a public meeting prior to the fiscal year during which it is to be used by the county commissions. The state commission shall develop the format in consultation with the county commissions.

(b) The state commission shall, on or before January 31 of each year, do both of the following:

(1) Conduct an audit and prepare a written report on the implementation and performance of the state commission functions during the preceding fiscal year, including, at a minimum, the manner in which funds were expended and the progress toward, and the achievement of, program goals and objectives.

(2) Prepare a written report that consolidates, summarizes, analyzes, and comments on the annual audits and reports submitted by all of the county commissions and the Controller for the preceding fiscal year. The written report shall include a listing, by category, of the aggregate expenditures on program areas funded by the state and county commissions pursuant to the purposes of this act, according to a format prescribed by the state commission. This report by the state commission shall be transmitted to the Governor, the Legislature, and each county commission.

(3) In the event a county commission does not submit the information prescribed in subdivision (a), the state commission may withhold funds that would otherwise have been allocated to the county commission from the California Children and Families Trust Fund pursuant to Section 130140 until the county commission submits the data as required by subdivision (a).

(c) The state commission shall make copies of each of its annual audits and reports available to members of the general public on request and at no cost. The state commission shall furnish each county commission with copies of those documents in a number sufficient for local distribution by the county commission to members of the general public on request and at no cost.

(d) Each county commission shall make copies of its annual audits and reports available to members of the general public on request and at no cost.

SEC. 2. Section 130151 is added to the Health and Safety Code, to read:

130151. (a) In addition to the requirements in Section 130150, the Controller shall issue guidelines for expanded annual audits of each county commission required pursuant to subdivision (b) of Section 130150 and associated quality control functions, subject to funding by the state commission.

(b) The scope of the audits shall address a review of county commission policies and practices with respect to the following elements:

(1) Contracting and procurement policies, to determine whether they are in place pursuant to paragraph (4) of subdivision (d) of Section 130140, whether state and county commissions are operating in accordance with these policies, and whether these policies contain provisions to ensure that the grants and contracts are consistent with the state or county commission's strategic plan.

(2) Administrative costs, to ensure that the county commission's definitions comply with the state commission's guidelines and that the county commission has a process in place to monitor these costs.

(3) Policies and procedures, established pursuant to paragraph (4) of subdivision (d) of Section 130140, designed to assure compliance by the state commission and county commissions with all applicable state and local conflict-of-interest statutes and regulations.

(4) Policies and practices designed to assure that county commissions are adhering to county commission ordinances established pursuant to paragraph (1) of subdivision (a) of Section 130140.

(5) Long-range financial plans, to determine whether state and county commissions have these plans and that the plans have been formally adopted by the commission in a public hearing.

(6) Financial condition of the commission.

(7) Amount commissions spend on program evaluation and the documented results of these expenditures.

(8) Salaries and benefit policies, to determine whether the county commission's employee salaries and benefits comply with the policies that the county commission adopted pursuant to paragraph (6) of subdivision (d) of Section 130140.

(c) The auditor for the state commission or the county commission shall submit each audit report, upon completion, simultaneously to both the Controller and to the state commission or applicable county commission.

(d) The state commission and each respective county commission shall schedule a public hearing within two months of receipt of the audit to discuss findings within the report and any response to the findings. Within two weeks of the public hearing, the state or county commission shall submit to the Controller a response to the audit findings.

(e) Within six months of the state or county commission's response pursuant to subdivision (d), the Controller shall determine whether a county commission has successfully corrected its practices in response to the findings contained in the audit report. The Controller may, after that determination, recommend to the state commission to withhold the allocation of money that the county commission would otherwise receive from the California Children and Families Trust Fund until the Controller determines that the county commission has a viable plan and the ability to correct the practices identified in the audit.

(f) The Controller shall prepare a summary report of the final audits and submit the report to the state commission by November 1 of each year for inclusion in the annual report required pursuant to subdivision (b) of Section 130150.

(g) On or before April 30, 2006, the Controller shall present to the state commission in a public meeting the final audit guidelines and implementation plan. When developing the guidelines, the Controller shall consider the reasonableness of the projected costs and administrative burden of the required audit functions.

SEC. 3. This act shall only become operative if Assembly Bill 109 of the 2005-06 Regular Session is enacted and becomes operative.

SEC. 4. The Legislature finds and declares that this act furthers the California Children and Families Act of 1998

enacted by Proposition 10 at the November 3, 1998, general election, and is consistent with its purposes.

Approved \_\_\_\_\_, 2005

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*Governor*